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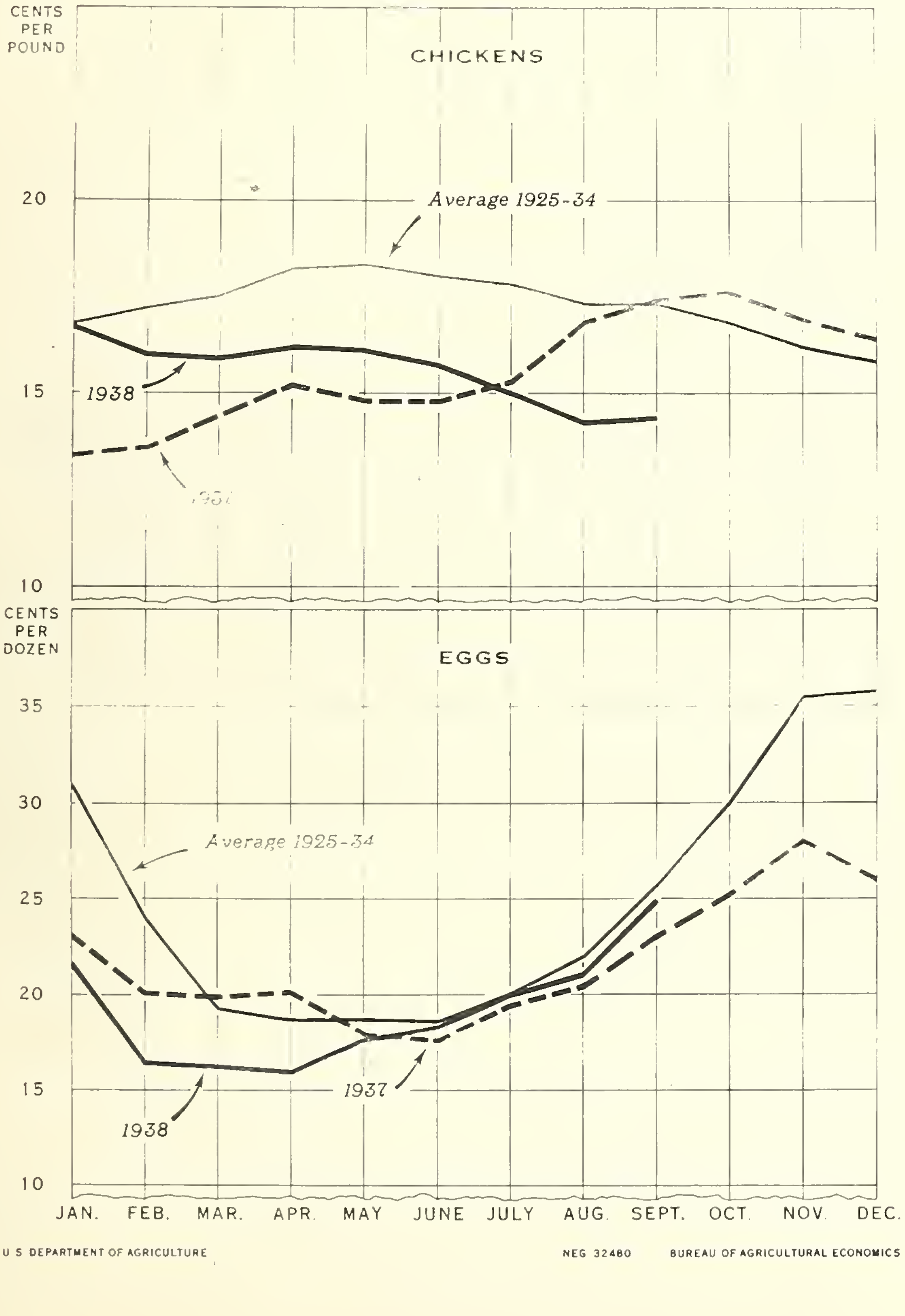
THE POULTRY AND EGG SITUATION

U.S. FARM PRICES OF CHICKENS AND EGGS



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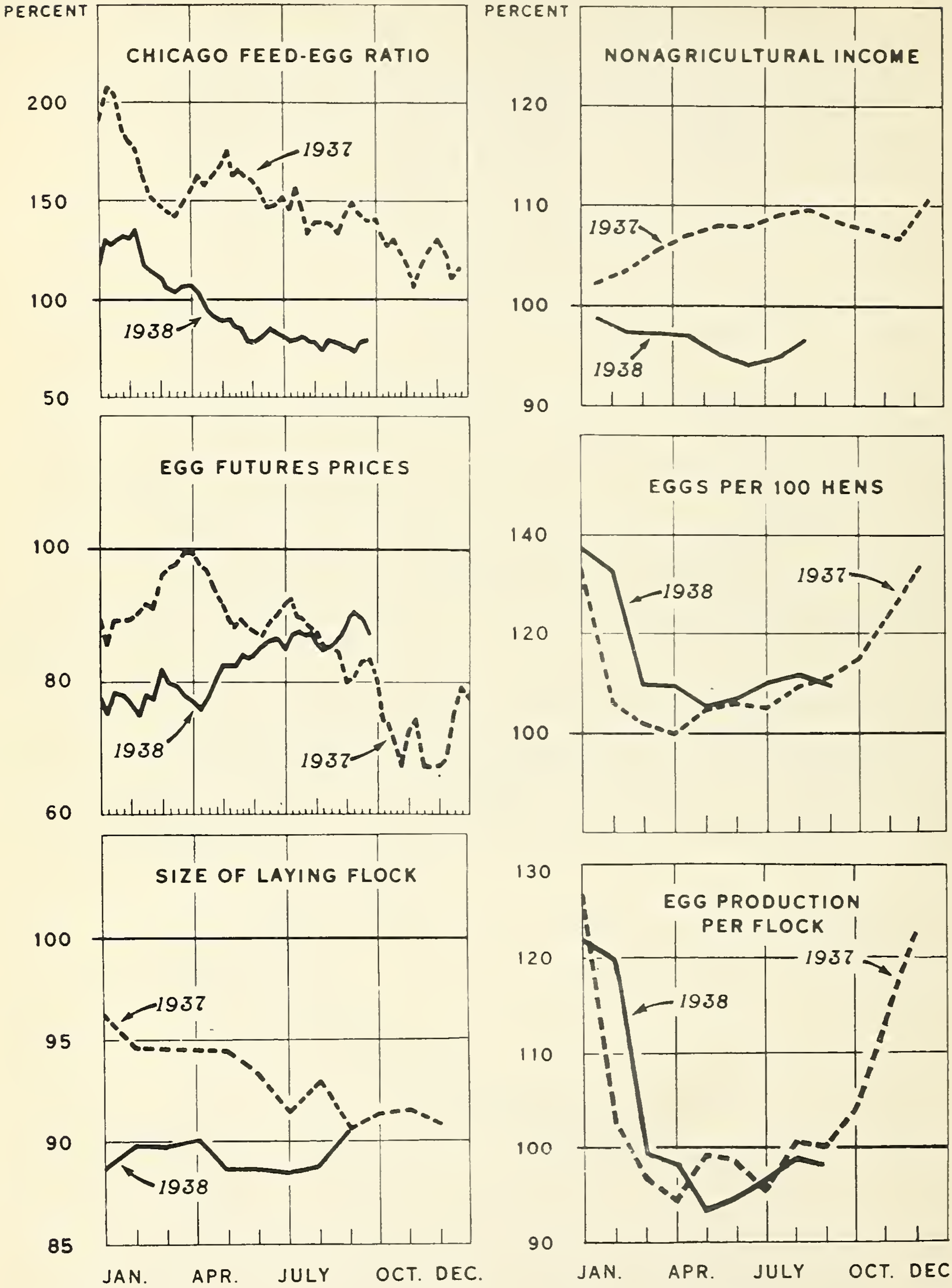
THE POULTRY AND EGG SITUATION AT A GLANCE

(AVERAGE OF CORRESPONDING PERIODS, 1925-34 = 100)



CHICAGO FEED-EGG RATIO

NONAGRICULTURAL INCOME

EGG FUTURES PRICES

EGGS PER 100 HENS

SIZE OF LAYING FLOCK

EGG PRODUCTION PER FLOCK

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FIGURE 1

THE POULTRY AND EGG SITUATION

Summary

By early fall some indications of the prospects for poultry and eggs during the ensuing year are available. At the present time, important developments during 1939 are expected by the Bureau of Agricultural Economics to include: (1) a larger hatch than in 1938, resulting from the continued favorable feed and egg price situation; (2) larger poultry supplies throughout the coming year, because of the increase in the 1938 hatch and the expected further increase in 1939; (3) increased supplies of eggs, due to a larger number of pullets entering laying flocks and the favorable feed situation; (4) an increase in storage holdings of eggs in 1939 compared with the very low stocks of 1938, as a result of the larger supplies of eggs and the anticipated favorable outcome of the current storage deal; (5) increases in consumers' incomes to at least partly offset the unfavorable price effects of larger supplies of both poultry and eggs.

The production of fall and winter broilers is increasing materially because of expansion by producers already established in the industry and the entrance of new producers. The effects of this increase may offset any advantage gained through the more favorable feed situation.

Turkey production in 1938 is estimated at 3.7 percent more than in 1937. The price effects of increased supply and lower consumers' incomes during the current marketing season than in 1937 will be partly offset by the producers' lower costs of production this year. A favorable outcome for producers in 1938 and abundant feed supplies for next season may result in a further increase in numbers of turkeys in 1939.

Feed situation

A total supply of feed grains more than 10 percent larger than last year is indicated by the very large crop of wheat, the above average production of corn, grain sorghum and barley, and a heavy carry-over of grains from 1937 crops. While numbers of livestock on January 1, 1939, will be larger than on the same date in 1938 the increase in numbers of grain consuming animal units will be less than 10 percent. The feed situation, therefore, will be favorable to poultrymen at least until the 1939 harvest approaches.

The relationship of feed prices to egg prices is important to poultrymen because it influences the number of pullets saved for layers in the fall as well as the size of the spring hatch. It also influences the amount of feed fed farm flocks, which directly affects egg production. In September the feed-egg ratio was only slightly more than half as high as at the same time in 1937 and less than 80 percent of the 10-year (1927-36)average. It is expected that this ratio will remain favorable to poultrymen at least during the first half of 1939.

The feed-egg ratio at Chicago, specified weeks, as percentage of 1925-34 average

Year	Week ending as of 1938											
	Jan. 1	Mar. 26	May 28	June 25	July 30	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24	Oct. 29	Dec. 3
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1937	167.8	148.0	162.8	148.8	133.7	134.0	143.8	149.1	144.3	140.4	125.5	131.6
1938	117.6	107.0	79.3	83.5	78.0	77.3	75.0	73.2	78.3	79.4		

Spring hatchings

Because of this favorable feed-egg ratio a further increase over the relatively large hatch of 1938 is likely in 1939. Beginning in 1925 a 3-year cycle in numbers of chickens raised has been evident. Since the low point in the present cycle was reached in 1937, it is expected -- if the 3-year tendency is continued -- that a high point will be reached in 1939.

Chicks and young chickens in farm flocks June 1, 1930-38
(1934 = 100)

1930	1931	1932	1933	1934	1935	1936	1937	1938
Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
117.1	102.3	105.0	111.5	100.0	99.4	110.9	94.7	105.9

Poultry marketings

Receipts of dressed poultry at New York in the first half of 1938 were smaller than a year before. This was due to the sharp reduction in numbers of poultry on farms during 1937, the light culling during 1938, and a below-average out-of-storage movement. Largely because of the heavier hatch, receipts for the balance of 1938 and the first months of 1939 are likely to exceed those of the previous year. Because of the prospective heavier hatch in 1939 than in 1938, marketings of poultry during the last half of that year are likely to exceed those of 1938.

Receipts of dressed poultry at New York, average 1925-34, annual 1937-38

Year	Week ending as of 1938								
	Jan. 29	Mar. 26	May 28	July 30	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Average 1925-34	3,324	2,070	2,651	2,914	3,394	3,587	3,291	3,594	3,922
1937	3,720	2,349	2,342	3,049	3,990	3,677	3,511	3,987	3,538
1938	2,639	1,707	3,819	3,986	3,386	3,508	3,901	4,348	4,997

Fall and winter broilers

Reports from representative producers in the broiler producing area of Delaware, Maryland, and Virginia point to the possibility of a very substantial increase in the number of broilers to be raised this fall and winter compared with a year earlier. The abundance and low prices of feed in the broiler producing sections of the Middle West will most likely maintain broiler production in that area during the remainder of the season above the level of the preceding year. The effects of this expansion by producers already established in the industry as well as the entrance of new producers may offset any advantage gained through the more favorable feed situation.

Poultry storage

Stocks of frozen poultry at the peak in early 1939 are expected to be heavier than in 1938 and above the 1925-34 average, but lighter than the record holdings of 1937. Because of the larger production of chickens and turkeys in 1938 the net into-storage movement during the period of accumulations from September to January is expected to exceed that of a year ago and is likely to approximate or slightly exceed the average of 1925-34. The into-storage movement of poultry during the latter part of 1939 is also expected to exceed that of 1938.

Storage holdings of dressed poultry at 26 markets for weeks ending September 24 and the following January 1, and into-storage movement for that period, average 1925-34, annual 1937-38

Year	Week ending as of 1938		
	Storage stocks Sept. 24	Into-storage movement Sept. 24 to Jan. 1	Storage stocks following Jan. 1
	1,000 pounds	1,000 pounds	1,000 pounds
Average 1925-34	35,145	56,603	91,748
1936	52,391	83,343	135,734
1937	44,153	49,029	93,182
1938	40,250		

Turkeys

The number of turkeys on hand September 1, 1938, was estimated to be about 3.7 percent greater than in 1937 and about 6 percent less than in 1936, which was the year of maximum production. Owing to abundant feed and a favorable season for growth crop reporters estimate turkeys will be marketed at slightly heavier weights than last year.

Increase over 1937 in turkeys on hand September 1

Division	Increase over 1937	Division	Increase over 1937
	Percent		Percent
East North Central	12	West South Central	0
New England	10	South Atlantic	- 2
West North Central	10	Western Mountain	- 7
Middle Atlantic	9	East South Central	-14
Pacific Coast	5	Total net increase	3.7

The present situation indicates that the turkey deal will be at least as favorable or even more favorable to producers than last year. The favorable factors include: much lower prices of feed this year, lower prices of poults, a satisfactory growing season with heavier weights, smaller carry-over of turke and chickens in cold storage, and an increased tendency toward all year round consumption of turkeys. The moderate increase in number and weights of birds to be marketed, and lower consumers' incomes compared with last year, will partially offset these favorable factors.

A favorable outcome for producers in 1938 and abundant feed available for next season appear likely to result in a further increase in numbers of turkeys in 1939.

Chicken prices

Farm prices of chickens have been declining in relation to their normal seasonal trend throughout 1938. The increase in consumers' incomes during the remainder of this year may not be sufficient to offset the larger supplies of poultry to be marketed in the last quarter of 1938 than a year earlier.

Farm price of chickens per pound

Year	May 15	Sept. 15	Dec. 15
	Cents	Cents	Cents
Average 1925-34	18.3	17.3	15.8
1937	14.8	17.4	16.4
1938	16.1	14.3	

While storage and fresh supplies of poultry in the first half of 1939 probably will be larger than in the corresponding period of 1938, higher consumers' incomes are likely to partly offset the effect of these increased supplies. Chicken prices usually advance seasonally about 15 percent from a winter low until April or May. If such an increase occurs in 1939 it will result in prices somewhere near those prevailing in the spring of 1938.

The expected increase in 1939 hatchings may keep chicken prices at relatively low levels during the last half of 1939 unless consumers' incomes increase more than is now anticipated. It is unlikely, however, that prices in 1939 will decline from their peak as much as in 1938, when large marketings added to the effect of relatively low consumers' incomes.

Nonagricultural income, monthly averages 1925-34, monthly 1936-38
(Seasonally corrected indexes, 1924-29 = 100)

Year	Jan.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Dec.
Average-1925-34	91.0	90.4	89.9	89.7	89.8	89.6	89.6	89.4	89.4	88.8
1936	81.5	82.5	83.1	84.1	85.1	86.8	87.4	87.9	89.8	100.9
1937	92.9	95.3	96.3	96.9	96.9	97.7	98.2	96.8	96.3	98.3
1938	89.9	87.9	87.1	85.4	1/85.0	1/85.5	86.6			

1/ Revised.

Laying flock size

The average size of laying flocks decreased about 23 percent from January 1 to September 1 of this year compared with a decrease of 29 percent last year and with a usual decrease of about 25 percent. On January 1, 1938, the average number of layers per farm flock was the lowest of record since 1924 for that date. By September first, however, the number per flock was practically the same as on that date last year.

Average number of laying hens in farm flocks

Year	Jan. 1	Apr. 1	May 1	June 1	July 1	Aug. 1	Sept. 1	Nov. 1	Dec. 1
	Number	Number	Number	Number	Number	Number	Number	Number	Number
Average - 1925-34	87.5	82.0	77.4	73.4	69.6	66.8	66.1	75.7	81.9
1937	84.2	77.5	73.1	68.5	63.6	62.1	59.9	69.3	74.4
1938	77.6	73.8	68.6	65.0	61.6	1/59.3	59.8		

1/ Revised.

With increased numbers of early pullets entering laying flocks, a favorable feed situation, higher egg prices and lighter culling of both young and old stock, the size of laying flocks will probably be around 10 percent larger during the coming year than they have been during 1938.

Rate of egg production

Favorable weather with an abundance of feed and a very favorable feed-egg ratio have stimulated heavy feeding, resulting in increased egg production per layer during the past year. During every month from January throug August, with only one exception, egg production per hen continued at a record high seasonal level. On September 1 the rate dropped below the September 1 level of last year, but it still exceeded the September record for all other years. With increasing numbers of early pullets entering the flocks and assuming average weather conditions, a rate of production above the usual seasonal levels should continue throughout the next year, but it may not reach the record high seasonal levels of 1937 and 1938.

Eggs laid per 100 hens and pullets of laying age in farm flocks

Year	Jan.1	Apr.1	May 1	June 1	July 1	Aug.1	Sept.1	Nov.1	Dec.1
	Number	Number	Number	Number	Number	Number	Number	Number	Number
Average 1925-34 ...	16.5	52.8	55.1	49.5	42.2	36.9	32.4	17.0	13.9
1937	22.0	52.8	57.8	52.5	44.4	40.4	36.1	21.1	18.6
1938	22.7	57.9	58.1	52.9	46.5	41.2	35.3		

Egg marketings

While the rate of egg production per hen for the first 8 months of 1938 was unusually high, the smaller farm flocks chiefly accounted for the lighter egg marketings than in 1937. Unless weather conditions are particularly severe during the winter, marketings by the end of 1938 are expected to be larger than those of a year earlier becuase more birds will be added to laying flocks. An exceptionally favorable feed-egg ratio and larger numbers of laying birds are likely to result in comparatively heavy marketings of eggs early in 1939 and throughout that year.

Receipts of eggs at New York, average 1925-34, annual 1937-38

Year	Week ending as of 1938								
	Jan. 29	Mar. 26	May 28	July 30	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases	1,000 cases
Average 1925-34 ...	112.2	200.4	217.9	119.9	100.2	104.8	104.1	100.7	101.3
1937	152.0	190.7	193.4	110.5	108.3	89.6	97.0	89.3	96.6
1938	129.2	151.8	176.7	108.5	91.2	84.2	76.3	83.6	94.6

Egg storage

Stocks of shell eggs in cold storage in the United States at the peak of the 1938 season, August 1, were $2\frac{1}{2}$ million cases or 26.5 percent short of a year ago, and the lightest since 1916. Stocks of frozen eggs also were smaller than in 1937.

United States cold storage holdings of eggs August 1

Year	Holdings	Percentage of 1925-34 average
	1,000 cases	Percent
Shell eggs		
Average 1925-34	9,567	
1937	8,718	91.1
1938	6,407	67.0
Frozen eggs		
Average 1925-34	2,596	
1937	4,768	183.7
1938	3,867	149.0
Total		
Average 1925-34	12,163	
1937	13,486	110.9
1938	10,274	84.5

The anticipated favorable outcome of the current storage deal is likely to result in an increased demand for eggs to be stored next spring. In addition, supplies of eggs available for storage are expected to be larger in 1939 than a year earlier. Accordingly, storage stocks of shell and frozen eggs in 1939 are expected to be larger than in 1938.

Egg prices

Small storage stocks of eggs and improving consumers' incomes have caused egg prices to advance at more than the normal seasonal rate this fall. A continuation of the present trend would result in a seasonal peak in November about 10 percent higher than a year earlier.

Farm prices of eggs per dozen

Year	Jan. 15	Apr. 15	May 15	July 15	Aug. 15	Sept. 15	Oct. 15	Nov. 15	Dec. 15
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Average 1925-34	31.0	18.7	18.7	20.0	22.0	25.7	30.0	35.4	35.7
1936	22.8	16.8	18.1	20.0	22.4	24.5	27.6	32.5	30.5
1937	23.1	20.1	17.9	19.4	20.4	22.9	25.2	28.0	26.0
1938	21.6	15.9	17.6	19.9	21.0	24.9			

Egg prices during the winter months will be materially affected by weather conditions, particularly since the reserve supply of eggs in storage is at abnormally low levels. Severe winter weather might cause an extreme although temporary rise in egg prices. The expected small carry-over of storage eggs on January 1 together with improved consumers' incomes are favorable factors which will be largely offset by the expected larger supplies of fresh eggs during the early part of 1939.

Egg prices during the last half of 1939 compared with the corresponding period of 1938 will be affected by larger storage holdings of eggs in prospect for 1939 than in 1938 and increased supplies of fresh eggs. The effects of these conditions probably will be partly offset by improved consumer incomes.